

MONEY MATTERS

From The Federal Reserve Board

Flexibility: A Highlight Of New Overdraft Rules

(NAPSA)—There's good news for consumers. Banks, credit unions and other financial institutions must offer you the ability to make decisions about overdrafts for transactions made with your debit or ATM cards.

Expect your bank to send you an explanation about how it treats overdrafts. Here are some key things you need to consider when reading the notice:

- An overdraft occurs when you make a purchase or ATM transaction but don't have enough money in your account to pay for it. For a fee, your bank will cover you when you become overdrawn. This fee can apply each time you overdraw your account.

Generally, banks can cover overdrafts in one of two different ways:

- **Standard overdraft practices.** Your bank will cover your transaction for a flat fee of about \$20–30 each time you overdraw your account.

- **Overdraft protection plans.** Your bank may offer a line of credit or a link to your savings account to cover transactions when you overdraw your account. Banks typically charge a fee each time you overdraw your account, but these overdraft protection plans may be less expensive than their standard overdraft practices.

The New Rules

- **You choose.** Under the new rules from the Federal Reserve, before you can be charged overdraft fees, your bank must get your permission to apply its standard overdraft practices to debit card and ATM transactions. To give this permission, you will need



New Federal Reserve rules give debit and ATM card users a number of options regarding overdrafts.

to respond to the notice and opt in (agree).

- **Existing accounts.** If you do not opt in, your bank's standard overdraft practices won't apply to your debit card and ATM transactions. These transactions typically will be declined when you don't have enough money in your account, but you will not be charged overdraft fees.

- **New accounts.** If you open a new account on or after July 1, 2010, unless you opt in, your bank cannot charge you overdraft fees for debit card and ATM transactions.

- **Flexibility.** Whatever your decision, the new overdraft rules give you flexibility. If you opt in, you can cancel at any time. If you do not opt in, you can do so later. The best overdraft protection is to keep track of your account balance and watch your spending carefully when your account balance is low.

To learn more, visit www.federalreserve.gov/consumerinfo.